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ABSTRACT

A comparative analysis of 12 case studies examined the work performance and employment costs and benefits of older employees relative to younger workers at 12 companies spanning a diversity of industries, locations, and sizes. Each company provided quantitative information on a written questionnaire on work force demographics and direct and indirect costs of employment. In-person interviews were conducted at each company with a senior corporate executive, line manager, and human resource manager. A group discussion with older employees at the company was held to learn their perspectives about recent and planned changes at the company. Most companies lacked the information and had not performed the analysis to conclude definitively that age-related differences in costs existed. Human resource policies and decisions were the product of subjective assessments by corporate gatekeepers. Overall, managers did not project pervasive, companywide biases against older workers. Managers rated older workers highly for experience, judgment, commitment to quality, turnover, and attendance/punctuality. They rated them weak on flexibility, acceptance of new technology, the ability to learn new skills, and the physical ability to perform strenuous jobs. The traits managers most admired were not highly valued in making human resource decisions related to hiring, promotion, job assignment, and retention. Traits cited as weaknesses were considered most desirable for today's changing workplace. (Contains 22 references.) (YLB)

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VALUING OLDER WORKERS

A STUDY OF COSTS AND PRODUCTIVITY

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VALUING OLDER WORKERS

A STUDY OF COSTS AND PRODUCTIVITY

Prepared for the
American Association of Retired Persons
by ICF Incorporated

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EXECUTIVE SUMMARY

This study was commissioned to answer two critically important questions related to the present and future employment opportunities for older workers (defined as workers aged 50 and older):

- How do the employment costs and job performance of older workers compare with other workers? and
- If quantitative assessments of cost and productivity are not a significant consideration, what factors influence corporate decisions on the recruiting, hiring, retaining, training, and promoting of older workers?

These questions were answered through a comparative analysis of case studies of 12 companies spanning a diversity of industries, locations, and sizes. Each company provided, as available, quantitative information through a written questionnaire on work force demographics and the direct and indirect costs of employment (e.g., salary/wages, benefits, rate of turnover). In addition, three hour-long, in-person interviews were conducted at each company with a senior corporate executive, a senior line manager, and a senior human resource manager. A group discussion with older employees at the company was also held to learn older workers' perspectives about recent and planned changes at the company.

EMPLOYMENT COSTS OF OLDER WORKERS

On the critical issue of the employment costs of older workers, most companies lack the information and have not performed the analysis to conclude definitively that age-related differences in costs exist. From the completed questionnaires and interviews, the following findings stand out:

- Most companies do not have detailed information on the costs and productivity of their employees;
- What information is available is seldom organized and analyzed by age group to determine age-related differences in costs;
- To the extent that the data are analyzed by age, the results are seldom provided to the key corporate gatekeepers who set and implement human resource policies and practices; and
- Virtually no managers expressed a strong interest in learning of the employment costs of older workers.

The conclusion supported by these findings is that corporate behavior toward older workers that seems to be premised on the conclusion that older workers are more costly—such as persistent programs to reduce the number of older workers—is not justified by the information collected for this study.

MANAGERIAL ASSESSMENTS OF OLDER WORKERS

In the absence of quantitative data on costs and benefits, human resource policies and decisions become the product of subjective assessments by corporate gatekeepers. Overall, managers do not project pervasive, companywide biases against older workers, as demonstrated by their general agreement on the following issues:

- None agreed that job performance declines with age, except for certain strenuous jobs.
- Most stated that job performance at all ages varies by individual more than by age group.
- None agreed that age is a useful predictor of performance when making human resource decisions.

The conclusion stemming from these findings is that to the extent that age discrimination is occurring in the workplace, it is quite subtle and

comes in the form of a bias much less harsh and overt than other forms of discrimination.

Regarding the specific strengths and weaknesses of older workers, managers reported both.

- Older workers were rated highly for experience, judgment, commitment to quality, turnover, and attendance/punctuality.
- Older workers were rated weak on flexibility, acceptance of new technology, the ability to learn new skills, and the physical ability to perform strenuous jobs.

The study also examined the relative importance that managers placed on different performance attributes.

- The traits that managers most admire in older workers—and which older workers themselves report as their most positive attributes—are not highly valued in making human resource decisions related to hiring, promotion, job assignment, and retention. Indeed, the positive attributes of older workers seem to be largely taken for granted by managers.
- Conversely, the performance traits cited by managers as areas of weakness for older workers are those considered most desirable for today's changing workplace and those critical to the company's success in the future. These traits include flexibility, adaptability to change, and a capacity and willingness to exercise independent judgment.

Thus, the current work force challenges confronting older workers are not likely to diminish in the immediate future without concerted and persistent effort on the part of companies and older workers themselves. Companies can guard against subtle age stereotyping by making managers aware of its presence and negative consequences, open up more training opportunities and opportunities for career refreshment to older workers, and better value and harness the experience of its older workers. Older workers themselves can seek ways to demonstrate greater flexibility and adaptability to the changing workplace.

Suggested Areas for Further Research

The findings and conclusions of this study suggest several promising areas for further research, focusing on:

- Better understanding of older workers' responses to new technology and the pace of technological innovation;
- More knowledge of how older workers assimilate job-related training;
- Better data on the costs of turnover and the value of long tenure; and
- Additional understanding of how mature and older workers react to changes in the workplace.

CHAPTER 1
INTRODUCTION

Over the last decade, most U.S. corporations have experienced profound changes in their markets and the way they do business. Information and computer technologies have revolutionized the workplace, and global and national competition have required companies to become increasingly efficient and creative. Corporate executives and the popular press have seized on the notion that American companies have to change to remain competitive, and terms such as "reengineering the corporation," "redefining work," "downsizing the company," "outsourcing jobs," and "empowering the work force" have become part of the business vernacular.

A high-quality, skilled, trainable, and efficient work force is widely recognized as critical to corporate success in today's dynamic economy. Gone are the days when directions flowed down through layers of management to front-line workers, who loyally followed orders. Today, companies are eliminating supervisory positions and relying on rank-and-file employees to schedule production, perform quality assurance, improve processes, and propose creative solutions. Team-based work arrangements have become increasingly prevalent and important, requiring employees to have a wider range of abilities and skills so that they can effectively perform multiple jobs. The rapidity of technological innovation has turned job-related training and skill upgrading into a career-long activity.

The conventional wisdom is that these changes have affected, and will continue to affect, older employees—those aged 50 and over—more than their younger counterparts. Newspapers and magazines regularly report on the rapid disappearance of lifetime employment and corporate paternalism and the demise of the traditional employer-employee relationship. Seniority and past performance no longer guarantee a job, leaving many older employees to confront job insecurity for the first time in their careers. Flattening managerial hierarchies has led to an elimination of many midlevel managerial jobs often held by older employees. More and more, companies are relying on contingent workers—"temps," consultants, variable part-timers—to supplement core workers. These contingent workers perform tasks and work of limited duration, and on projects that can be terminated or scaled back quickly as circumstances change. At the same time, demand has increased for technology-based skills that older employees may not possess.

LABOR MARKET DIFFICULTIES OF OLDER EMPLOYEES

While older Americans comprise a growing proportion of the population, they make up a declining fraction of the work force. The labor force participation rate for older men has declined substantially over the last three decades, although the rate has leveled off recently and has possibly begun to climb. The labor force participation rate for older women has increased steadily over the same period, but not enough to offset the steep drop for older men. Today, older workers face many labor market difficulties that include managerial biases about older workers' performance, a lack of access to training to maintain their productivity and value, few work force programs targeting their needs, financial incentives to retire rather than continue working, and changing forms of corporate organization that are ending traditional relationships between employer and employee (Barth, McNaught, & Rizzi, 1993; Doeringer, 1991; Fay, 1995; Mirvis, 1993).[1] Older workers often find themselves at a disadvantage to younger workers in securing access to training, promotions, and new job assignments. Those leaving a job, whether voluntarily or because of dismissal, often struggle to find employment at comparable wages and are more likely than other workers to leave the labor force (Congressional Budget Office, 1993). In the future, these labor market difficulties could become increasingly frequent and prominent as the "Baby Boomers" become older workers.

[1] *References may be found at the end of Chapter 5.*

In this context of corporate and demographic change and labor market turbulence, the cost-effectiveness of older workers becomes an issue of paramount importance to understanding their employment possibilities. Many companies are behaving as if they know that older workers are more expensive to employ or are less productive than other workers. Circumstantial evidence such as the number of age discrimination charges and lawsuits currently pending, the prevalent use of early retirement incentive programs (ERIPs) as a means of downsizing, and the large number of older people who would like to work but cannot find jobs, suggests that companies prefer to hire, train, and retain younger workers. If older workers are more costly or less productive than younger workers, then these trends are likely to persist, and older workers will continue to find strong pressures encouraging them to leave their career jobs. If, on the other hand, the perception that older workers cost more does not stand up to careful observation and analysis, then rational business behavior should change to expand employment opportunities for older workers, and a role for public policy supporting this change will be defined.

Purpose of the Study

As was recently noted, "[D]ata on [employment] costs, as well as on the extent to which cost considerations contribute to employer decisions about hiring, retention, training, and the like, are generally inadequate. In addition, various economic theories may provide frameworks for understanding why employers and employees behave as they do, but they too have not been well-tested by the available data" (AARP, 1994). This study addressed this research need by examining, through quantitative questionnaire data and subjective assessments from senior managers and older employees, the work performance and employment costs and benefits of older employees relative to younger workers. For the purposes of this study, older workers are defined as employees aged 50 and over. Questions that the study addressed include:

- How do older employees compare on employment costs, including wages and salaries, fringe benefits, training costs, costs associated with turnover and absenteeism, and costs of workplace injury? How do managers perceive the relative value of older employees compared with younger workers?
- How do older employees compare with other employees on such job performance attributes as productivity, job skills, loyalty, commitment to quality, ability to learn new skills, ability to work in teams, creativity, and flexibility?
- What types of employee attributes are considered to be the most important in the modern workplace? To what degree do managers perceive older employees as possessing or lacking these traits?
- How do companies value the experience of older employees? How is this experience measured and assessed?
- How do companies assess intangible work performance characteristics such as leadership and mentoring ability? To what degree are such attributes valued?
- What factors do managers focus on when making personnel decisions?
- What types of human resource programs are most important to older employees?
- What are the primary concerns of older employees today, from the perspectives of older workers and managers?
- What skills and characteristics will be in demand in coming years?

Overview of Study Methodology

The study consisted of 12 case studies of companies spanning a diversity of sizes, industries, and geographic locations. Although not a statistical representation of corporate America, the study was intended to provide relatively detailed quantitative and qualitative information that could be systematically analyzed and compared across companies to identify recurring patterns of behavior that are likely to be common across companies in other industries and locations. With the participation of 12 companies, the study could be both reasonably representative and comparative.

As part of the study, each participating company completed a 40-question questionnaire on its work force (the questionnaire is included in Appendix A). The questionnaire sought basic demographic information about the company's work force including the age distribution of employees, the number of full-versus part-time workers, and the breakdown of the employees by job categories. In addition, the questionnaire solicited information on the costs and benefits of workers of different age cohorts including information related to salary, health care costs, paid vacation, pension accruals, sick leave, workplace injury, absenteeism, and turnover.

Qualitative assessments of the value of older employees were also collected during three on-site interviews with senior managers of each company. These in-person, hour-long interviews were conducted with a senior executive of the corporation responsible for broad strategy and management oversight, a senior line manager responsible for producing the company's goods or services, and a senior human resource manager broadly responsible for setting and overseeing human resource policies and practices. The interviews with senior managers addressed the corporate and human resource challenges facing the company, recent and expected changes in the company's work force and human resource practices, and personal assessments of the costs and benefits of older workers. In addition to the core set of questions asked of all managers, a supplemental set of questions was asked depending on the manager's position. Complementing the management interviews was a 60-120 minute group discussion with older employees to hear their reactions to the changing workplace. In the interest of encouraging frank and open discussion about a potentially contentious and sensitive issue, all companies, managers, and older employees participating in the study have been kept anonymous throughout the report.

Appendix A presents a more detailed description of the research methodology.

Organization of the Report

This report is organized into five chapters and two appendices. Chapter 2 consists of a summary of quantitative data collected from the work force questionnaires, with an emphasis on variables that affect employment costs, such as salaries, retirement and health plans, paid vacation, absenteeism, and turnover. The chapter also includes a discussion of managers' impressions of the cost of employing older workers.

Chapter 3 focuses on the value of older workers, as reported by managers and older employees during the on-site interviews. The chapter also presents impressions of older workers' performance with regard to specific traits and characteristics. Given the paucity of employment cost data that the participating companies were able to provide, the impressions reported in this chapter take on a particular importance.

Chapter 4 focuses on the impact of nationwide corporate changes on older workers. The chapter addresses how managers and older employees expect future corporate changes and transformations to affect older employees. It also includes a discussion of the employee traits and skills that managers view as being increasingly important in tomorrow's workplace, and to what extent they believe that older employees possess these characteristics.

Chapter 5 presents the conclusions of the report. References cited throughout the report are also presented after Chapter 5.

In addition, the report includes two appendices. Appendix A describes the research methodology used for the study. Appendix B includes a case study summary of each company that participated in the study. Each case study summary contains the following sections:

- Summary of the company's strategic and human resource challenges;
- Discussion of the company's human resource programs;
- Data on variables affecting the cost of employing workers of different ages (e.g., average salaries for each age group, if available);
- Impressions of managers concerning older workers' performance; and
- Feedback obtained from older workers regarding the quality of their work life, their workplace concerns, and impressions of their performance.

CHAPTER 2
THE EMPLOYMENT COSTS OF OLDER WORKERS

Employment costs include salary, health benefits, pension accruals, paid vacation, absenteeism, and money spent for recruiting, hiring, and training employees. The net costs of employment depend as well on the productivity of workers, that is, by how much a worker's output, in terms of goods or services, exceeds his or her cost of employment. Employment costs, if known by a company, may affect human resource decisions regarding recruitment, hiring, dismissal, compensation, and promotion. On the other hand, if a company does not have a fact-based assessment of the costs of different types of workers, subjective assessments of managers become more important for making human resource decisions.

This chapter discusses the estimated and perceived costs of employing older workers. It begins with a discussion of the extent to which companies in the study were able to report age-related employment cost data and includes an analysis of the quantitative data provided to establish patterns of age-related cost differences. The chapter concludes with a discussion of managers' impressions of and explanations for age-related cost differences, and the degree to which managers were interested in such differences.

AVAILABILITY OF QUANTITATIVE DATA ON THE COSTS OF EMPLOYMENT

Each company participating in the study was asked to complete a written questionnaire, which requested quantitative information on the company's work force and factors influencing employment costs. Exhibit 2-1 displays the employee age distribution across the companies and shows that the companies reporting these data had older worker populations (i.e., employees aged 50 and over) ranging from about 10 percent to over 20 percent of their work force.[1]

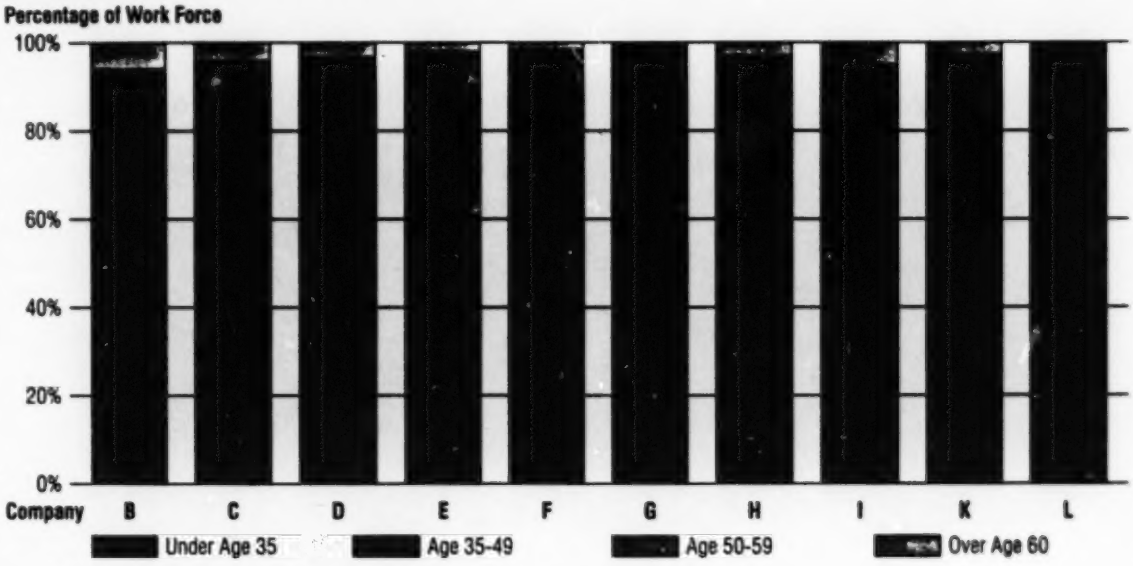
Exhibit 2-2 displays the types of employment cost data that were requested in the work force questionnaire, and whether data were available for the entire work force and for employees of different age groups. The exhibit shows that most companies did not systematically keep or analyze cost or productivity data on employees and were even less likely to have examined the available data by age. None of the participating companies were able to provide complete, age-distributed data for all of the cost components. For some components (e.g., costs of health care, life insurance, disability insurance, and training, and rates of absenteeism, injury, and lost workdays), three or fewer companies were able to provide age-group data.[2]

In most cases, the companies either did not have the information necessary to conduct detailed age-specific cost analyses or would have had to expend considerable resources manipulating existing data into a usable and instructive form. One company, in fact, had purposefully refrained from collecting birthdate information from employees and had deleted all references to age from its employee records to prevent any appearance of favoritism or discrimination based on age. Even for costs such as health care, where detailed infor-

[1] *To ensure the anonymity of the participating companies, each company has been assigned a letter (A through K) that is used in the exhibits in this chapter. These letters do not correspond with the numbers (1 through 12) used to identify each company in the case studies found in Appendix B.*

[2] *Because so few, if any, companies were able to provide these data, these components of total employment costs are not analyzed at length in this chapter. Other studies have addressed these cost components in detail, including Barth, McNaught, & Rizzi (1995), Clark (1994), and U.S. Senate (1984).*

EXHIBIT 2-1
AGE DISTRIBUTION PER COMPANY



Source: ICF Incorporated analysis of work force questionnaires; sample size = 12.
Companies A and J were not able to report these data.

EXHIBIT 2-2
COMPONENTS OF EMPLOYMENT COSTS AS REPORTED BY COMPANIES

Component of Employment Costs	Company											
	A	B	C	D	E	F	G	H	I	J	K	L
Average salary		$✓	$✓	$✓	$✓	$✓	$✓		$✓		$✓E	$✓
Average health care costs	$	$		$	$	$			$		$	
Tenure-based vacation days/year	$✓	$✓	$✓	$✓	$✓	$✓	$✓	$✓	$✓		$✓	
Life insurance costs		$E		$✓E							$✓	
Disability insurance costs		$E		$✓E							$✓	
Average per employee spent on training		$✓		$✓					$		$✓	
Average annual absenteeism	$E	$		$✓E		$		$			$✓	
Annual turnover rate	$E	$	$	$✓E	$✓		$✓		$		$	$
Average injury rate	$	$	$	$			$✓E				$E	$
Lost workdays per injury	$E	$		$E			$✓E				$E	$

$ = company reported component
✓ = company reported component by age or tenure distribution
E = company estimated component
Blank space indicates that company did not report data

Source: ICF Incorporated analysis of work force questionnaires; sample size = 12.

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mation by employee typically exists, most companies appear not to have calculated or analyzed the data by age. As a result, most companies were only able to complete the questionnaire in part and/or provide estimates for certain items.

This lack of data is notable because it means that companies do not have a factual basis for concluding that older employees are more (or less) expensive than other workers. This conclusion was further substantiated during interviews with company managers, none of whom expressed detailed knowledge of age-related employment costs. Because companies and managers do not appear to have a fact-based assessment of the costs of older workers, the subjective impressions of managers regarding the costs and productivity of older employees become an important force for establishing, implementing, and perpetuating human resource policies and practices.

Analysis of Quantitative Data

Although the availability of quantitative data was limited, companies were able to report age-related salary and turnover data, and data on tenure-based vacation. Each of these cost components is discussed in this section.

Salary Costs

While this study consisted of a small sample of companies, the age-distributed salary data generally agree with findings from other studies.[3] Exhibit 2-3 shows that for those companies providing data, salaries are lowest for employees under the age of 35, and highest for employees between the ages of 50 and 59. The data show that salaries tend to plateau and then decrease for employees aged 60 and over.[4] Exhibit 2-4 graphically displays salary trends for each of the companies reporting data by age group.

Rates of Turnover

Employee turnover imposes costs on companies in terms of the "lost investment" expended in training an employee who leaves the company and the replacement costs of recruiting, hiring, and training a new employee. A company also may incur unquantifiable losses, such as valuable experience and specialized knowledge. Exhibit 2-5 shows that companies with turnover data by age group reported that older workers were much less likely than other workers to leave the company for reasons other than retirement. Average turnover for workers aged 50 to 59, for example, was about one-third that of workers aged 35 and under. For workers over the age of 60, the difference in turnover rates was even larger, with an average turnover that was less than one-sixth that of workers aged 35 and under. Furthermore, managers agreed anecdotally that turnover was much lower among their older workers (see Chapter 3). This finding is not surprising and is highly consistent with earlier studies (see Sterns & McDaniel, 1994). But while there was general agreement that older workers had a lower rate of turnover than other workers, companies did not appear to perceive fully the costs of turnover. Most companies were not able to estimate the costs associated with turnover, which indicates that they probably have not studied the issue in detail. For the three companies that provided the costs of replacing a departed employee, estimates were $600, $13,000, and 1.5 times the annual salary of the departed employee. This wide range of estimates suggests that those companies that have attempted to estimate the cost of turnover are using different methodologies. In addition, managers rarely mentioned costs associated with employee turnover when discussing their impres-

[3] *Virtually all cross-sectional data on earnings show an upward progression through the prime of the working career (about at age 50 for men and slightly younger for women), and then a steady fall through the fifties, with more drastic reductions during the sixties (Barth, McNaught, & Rizzi, 1995; Mincer, 1974).*

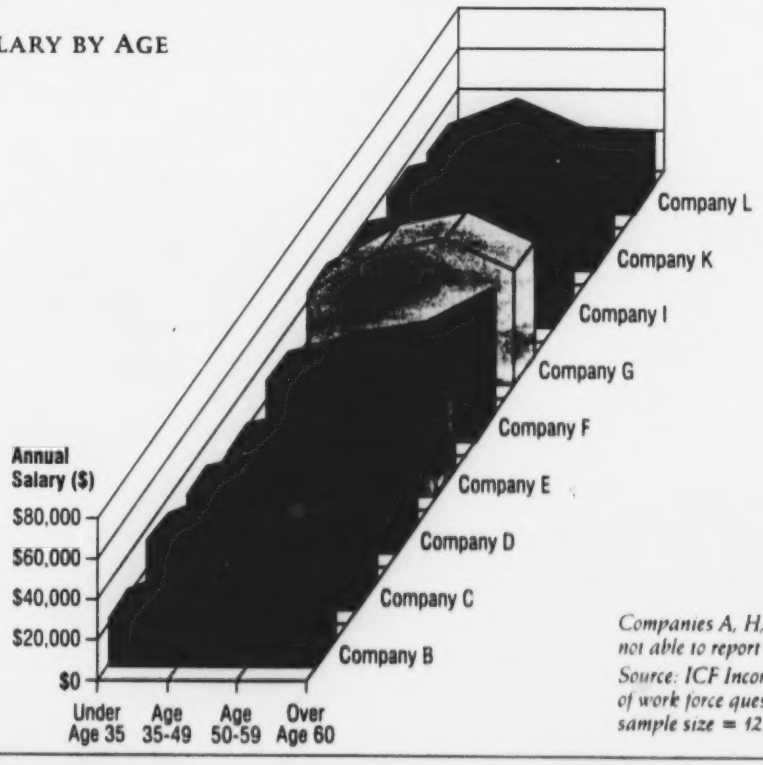
[4] *Companies E and F substantially deviate from this trend. For these companies, average salaries continue to increase with age, with workers over the age of 60 being the most highly compensated employees.*

EXHIBIT 2-3
AVERAGE SALARY BY AGE

Company	Age Group Under 35	35-49	50-59	Over 60
Company A*				
Company B	$23,172	$38,121	$37,852	$25,830
Company C	$33,612	$46,969	$48,644	$41,657
Company D	$28,258	$36,613	$33,883	$28,217
Company E	$21,483	$28,664	$35,830	$40,464
Company F	$29,105	$37,882	$44,166	$61,414
Company G	$44,250	$63,636	$70,000	$55,950
Company H*				
Company I	$37,087	$44,192	$43,700	$47,200
Company J*				
Company K	$36,000	$45,000	$45,000	$42,000
Company L	$29,000	$42,466	$26,410	$27,164
Averages	**$31,287**	**$42,616**	**$43,193**	**$41,100**

**Companies A, H, and J were unable to provide data.*
Source: ICF Incorporated analysis of work force questionnaires; sample size = 12.

EXHIBIT 2-4
AVERAGE SALARY BY AGE



Companies A, H, and J were not able to report these data.
Source: ICF Incorporated analysis of work force questionnaires; sample size = 12.

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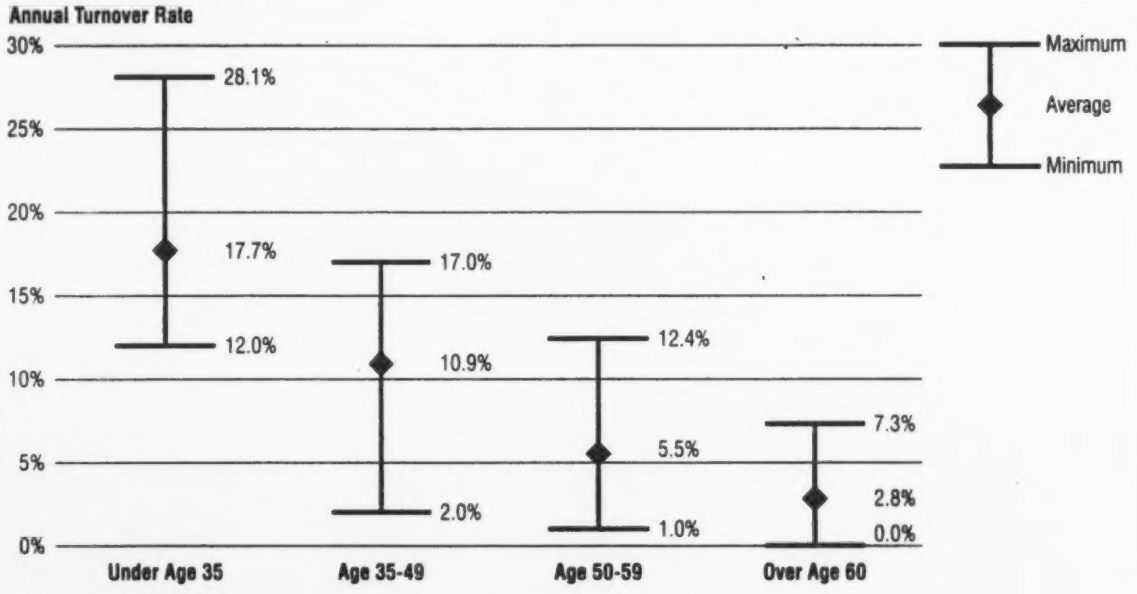
EXHIBIT 2-5
TURNOVER RATE BY AGE GROUP, EXCLUDING RETIREMENT



Source: ICF Incorporated analysis of work force questionnaires; sample size = 12.

sions of the average costs of older workers. Thus, while no definitive conclusions can be drawn on the costs of turnover, some companies certainly believe that they can be substantial.[5] Further, it appears that these costs are not well understood by managers and may be disregarded or inadequately considered in assessing total employment costs.

Tenure-Based Vacation

Paid time off (holidays, sick leave, and vacation) can be an expensive fringe benefit provided by employers, often accounting for approximately 10 percent of total compensation (Jondrow, Brechling, & Marcus, 1987; U.S. Senate, 1984). Paid time off may increase the cost of older workers relative to younger workers in two ways. First, if the worker is not replaced while absent, there is an opportunity cost attributable to the foregone production.[6] If this opportunity cost is estimated based on the salary of the absent worker, it will be higher if there is a positive correlation between employee salary and age. Second, many companies increase the number of vacation days based on seniority, typically at five-year intervals.

Exhibit 2-6 displays the annual number of tenure-based vacation days provided to employees of each company reporting these data.[7] Employees with 20 or more years of tenure receive between 1.7 and four times as much annual vacation as new employees, depending on the company.

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[5] *For a clear example of a situation where turnover costs are both quantifiable and material, see McNaught & Barth (1992).*

[6] *If the worker is replaced, the cost of hiring a substitute or reassigning another worker is incurred. In some cases, the worker's absence may be absorbed by the "slack" that may exist in an organization, thereby resulting in nearly no additional measurable cost.*

[7] *Differences in paid vacation, as reported for this study, are tenure-based and not strictly age-based. However, correlation between tenure and age is so high for most companies that differentiating between the two is not useful.*

Managers' Assessments of Age-Related Differences in Employment Costs

In the absence of "hard," quantitative data on the relative costs of employing older workers, the impressions of managers on the costs and productivity of older workers become important factors. Almost all managers interviewed were reluctant to make sweeping generalizations about either the costs or productivity of older workers, and none reported that greater knowledge about the costs of older workers would substantially affect their decisions regarding hiring, promotions, and dismissals.

Most managers thought that older workers "were probably more expensive" but noted that the accumulated experience and knowledge of older workers at least partially offset the perceived higher employment costs. A summary of managers' assessments for several cost components are presented below.

- *Salaries and wages*. Managers generally thought that older workers had higher average salaries for their positions as a result of their relatively long tenures with the company and past compensation practices (i.e., generous pay increases in times of high profitability). However, some managers said that these salary differentials had decreased in recent years, and would continue to narrow, as their company increasingly linked pay to performance and substituted bonuses and profit sharing for annual salary or wage adjustments. Managers also reported that many older workers had reached the maximum compensation possible for their position, and therefore had not received a pay raise for some time.

- *Paid vacation*. Several managers noted that long-tenured employees received more annual paid vacation and therefore would be more expensive in this regard. However, these managers did not expect this to be a major factor in human resource decisions.

- *Health care costs*. Although many managers mentioned the cost of health care as being a major component of employment costs, few had strong opinions on whether these costs were significantly higher for older workers. Several noted that the additional costs for insuring an older worker would be partially offset by the fact that an older employee may not have dependents on his or her policy. Notably, some managers, especially those in larger companies, explained that they were relatively unconcerned about these costs, because the costs would not be incurred by their division or department, but would rather be absorbed into the company's general overhead. Thus, age-related differences in health care costs were seen as a companywide issue, as opposed to a concern specific to an individual manager's operating group.

  Managers' relative lack of opinion on and indifference to the issue of higher health care costs for older workers stands in contrast to the findings of other larger surveys (see AARP/DYG, 1989; Mirvis, 1993), which found that human resource managers believed that older workers had significantly higher health care costs and that rising health care costs were a major human resource concern.[8] Other studies (Commonwealth Fund, 1993; U.S. Senate, 1984) have concluded that, in general, health care costs increase with age for both working men and women, although McNaught and Barth (1992) have shown in one corporate setting that self-selection by healthy older people to remain in the work force and the potential lack of dependents may offset age-related differences in health care costs otherwise expected.

- *Pension costs*. Managers rarely mentioned pension costs as being a major factor influencing the costs of older workers, even though five

[8] *A likely explanation for why this study's findings deviate from the results of these other surveys is that many of the managers interviewed for this study were unfamiliar with the costs of company-provided health care. In contrast, the other cited studies were based on interviews with top human resource managers who most likely were directly responsible for setting corporate health care policy.*

EXHIBIT 2-6
TENURE-BASED VACATION DAYS/YEAR

	Tenure				
Company	**<5 yrs**	**5 yrs**	**10 yrs**	**15 yrs**	**20+ yrs**
Company A	5-10	15	15	20	20
Company B	15	15	20	20	25
Company C	10	15	20	20	20
Company D	15	15	20	20	25
Company E	10	15	N/A	N/A	N/A
Company F	10	10	15	20	25
Company G*					
Company H	10-12	13	15	20	21-25
Company I	15	15	20	20	25
Company J*					
Company K	10	10	15	20	22.5
Company L*					
Averages	**11.8**	**13.7**	**17.5**	**20.0**	**23.2**

** Companies G, J, and L were unable to provide data.*
Source: ICF Incorporated analysis of work force questionnaires; sample size = 12.

EXHIBIT 2-7
TYPES OF RETIREMENT PLANS OFFERED BY COMPANIES

Company	**Defined-Benefit**	**Defined-Contribution**	**401(k)**
Company A			✓
Company B	✓		✓
Company C	✓		✓
Company D	✓	✓	✓
Company E	✓		✓
Company F	✓		✓
Company G	✓		✓
Company H	✓		✓
Company I	✓		✓
Company J*	✓		✓
Company K	✓		✓
Company L	✓		✓

** Company J was unable to provide data.*
Source: ICF Incorporated analysis of work force questionnaires; sample size = 12.

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companies had defined-benefit pension plans (see Exhibit 2-7).[9] Like health care costs, these costs are generally incurred companywide and appear to have no direct impact on a division or department's bottom line.

Summary of Cost Findings and Implications

This study's findings indicate that the 12 companies participating in the study generally had limited data on the cost and productivity of their employees and were even less likely to have analyzed these data by age. Age-distributed salary data and tenure-based vacation were the only cost components that the majority of companies in the study were able to provide. This suggests that most of the companies do not gather or evaluate these data and therefore do not have a fact-based assessment of the costs of older workers on which to make human resource decisions.

Managers also did not generally express knowledge or strong opinions concerning the costs or productivity of older workers. In addition, very few managers expressed much interest in the issue, stating that these cost differentials would not influence their decisions regarding employees, in part because they did not perceive the differences to be large. Managers also noted that many cost differentials were insignificant to them because overhead costs were distributed across the company and were not attributable to a specific department or division. That is, even if a manager's operating group has relatively high health care costs because of many older workers in that department, these costs generally will not affect his or her operating budget because benefits tend to be paid as a general company overhead expense.

[9] *Under most standard actuarial models, the "accrual cost" of a defined-benefit plan grows rapidly as employees age (Barth, McNaught, & Rizzi, 1995). As a worker approaches the age of normal retirement, the percentage of pay that must be set aside increases rapidly (Quinn, Burkhauser, & Myers, 1990). On the other hand, defined-contribution pension plans are roughly "age-neutral" because generally the same percentage of earnings is set aside annually for all employees regardless of their ages, although this amount will be dependent on the employee's salary. Likewise, 401(k) plans have little or no age-related cost differential.*

CHAPTER 3
THE VALUE OF OLDER WORKERS

Human resource decisions regarding recruitment, hiring, dismissal, compensation, and promotion are the product of numerous factors, including subjective assessments of performance and potential. Although a hiring or promotion decision may be restricted by quantitative considerations such as the salary of an employee, it more likely will be based on consideration of an employee's (or potential employee's) current and future value to the company. Subjective evaluations can be a function of whether a manager believes that an employee has the skills (e.g., computer literacy) or attributes (e.g., judgment, flexibility) needed for a particular job. These assessments may be influenced by a manager's personal opinions, biases, or preconceptions.

This chapter addresses the value of older employees based on managers' assessments, as reported during in-person interviews. Three managers (a senior corporate executive, senior line manager, and senior human resource manager) were interviewed at each company. Their overall assessments of the strengths and weaknesses of older workers, as well as assessments of specific older worker characteristics, are summarized in this chapter. The chapter also includes a summary of how older workers view their work performance relative to other employees, as reported during discussion sessions with groups of older workers.

MANAGERS' ASSESSMENTS OF OLDER WORKERS' STRENGTHS AND WEAKNESSES

The study included interviews with 38 managers from the 12 companies participating in the study. Individual assessments of older worker performance varied greatly, and managers did not project pervasive companywide, age-related biases.[1] None of the managers reported that overall performance tended to decline or improve with age, unless a job required strenuous physical labor. Virtually all managers thought that their company generally valued the experience and institutional knowledge that older workers brought to their jobs.

During interviews, some managers reported that they had difficulty making generalizations on the relative performance of older workers. Many stated that most aspects of job performance varied significantly among individuals, with no strong correlation to age.[2] As a result, age was not viewed as a useful predictor of job performance except for physically demanding positions. For other attributes, such as ability to work in teams and work attitudes, most managers had strong but diverse opinions on age-related differences, and no clear consensus emerged. Assessments of strengths and weaknesses also were influenced by the company's line of business and its specific labor needs. In most cases, managers readily provided examples or anecdotes to support their responses about older worker performance. Notwithstanding these findings, many managers reported that certain traits or attributes were more characteristic of older (or younger) workers:

- The majority of managers gave older workers high marks for their above-average experience, good judgment, commitment to quality, reliable attendance and punctuality, and low turnover.

[1] *Although it cannot be ruled out that managers were especially cautious in their answers given the study's topic and corporate sensitivity to issues of age discrimination, there is no evidence that managers were not honest and open in their responses.*

[2] *This finding agrees with the results of several studies that determined that there is more variation in productivity within age groups than across them (McNaught, Barth, & Henderson, 1989).*

- The majority of managers thought that older workers were less flexible and adaptable, and less likely to accept new technology. Many also reported that older workers had more difficulty learning new skills and performing physically strenuous jobs.

- Managers had mixed opinions on whether older workers had better-than-average job skills, work attitudes and motivation, and creativity. They also had varying opinions on the relative rate of workplace injury for older workers, and the ability of older workers to work in teams.

Exhibit 3-1 presents a summary of assessments of older workers, by performance attribute, as reported by managers at each of the 12 companies participating in the study. Each assessment represents the overall (i.e., averaged) impression of managers at each company.

Assessments by Key Characteristics

Managers' evaluations of performance are based on numerous characteristics and attributes that vary in importance depending on the nature of the job, expectations of supervisors, and the specific needs of a department. During the interviews, managers were asked how older workers compared with other employees with respect to 14 traits, including experience, flexibility, creativity, commitment to quality, and acceptance of new technology. Each manager's assessment was recorded and tabulated. Analysis of these data revealed positive, negative, and mixed assessments of older workers, as discussed in this section.

Positive Assessments Concerning Older Workers

The majority of managers thought that, on average, older workers had more experience, better judgment, a stronger commitment to quality, more reliable attendance and punctuality, and lower turnover. Exhibit 3-2 shows the characteristics for which the majority of managers rated the performance of older workers as above that of younger employees.

- *Depth of experience*. The overwhelming majority of managers reported that older workers had more relevant experience than other workers, and many stated that this was the most important characteristic that older workers brought to their jobs. Managers thought that this experience translated not only into improved job performance, but also better leadership skills. As one manager said, "Older workers tend to have a stature in the workplace and can therefore lead other workers in making changes." Many managers thought that institutional knowledge and mentoring ability were directly correlated with experience. "Younger workers have much to learn from our older employees," said one manager. Another manager at a fast-growing company with a relatively young work force added, "I wish I had a basketful of older mentors to take some of the younger workers under their wing."

Managers generally professed that their company valued the experience of their older workers.[3] However, few managers were able to provide examples of purposeful mechanisms for harnessing this experience. Mentoring programs matching seasoned, mature workers with recent hires were not common and tended to develop or be arranged informally within departments rather than formally coordinated through a program organized by the human resources department. Further, only two companies had routinely used their retirees—their most experienced "workers"—as temporary workers to meet peak demands or work on special projects. Here again, such arrangements were usually individually worked out within a department or division rather than centrally coordinated through a job bank. These arrangements often consisted of hiring seasoned employees as consultants after they had accepted an early retirement offer.

[3] *Previous studies have shown that most companies value experience. In a study of over 400 human resource executives, 56 percent of companies believed that the typical worker's contribution to the firm increases steadily over his or her career or increases early and then reaches a plateau. In contrast, only 4 percent of companies stated that a typical worker's contribution declines sharply after a certain age (Barth, McNaught, & Rizzi, 1993).*

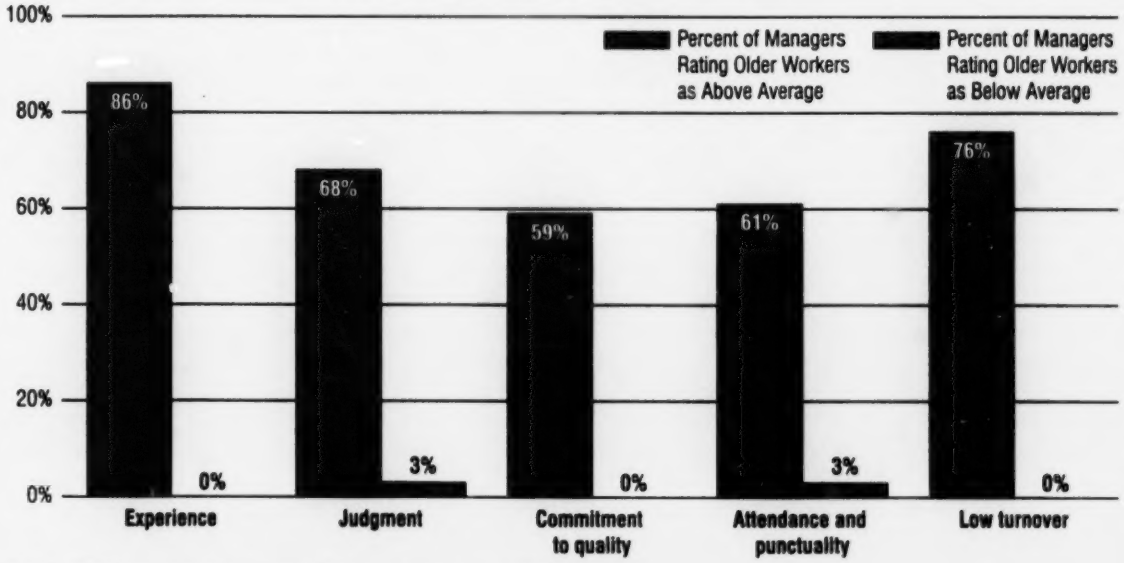
EXHIBIT 3-1
OVERALL MANAGER IMPRESSIONS OF OLDER WORKER PERFORMANCE, BY ATTRIBUTE

	Company											
Performance Attribute	**A**	**B**	**C**	**D**	**E**	**F**	**G**	**H**	**I**	**J**	**K**	**L**
Experience	++	+	++	+	++	+	+	+	++	++	+	++
Job skills	0	0	+	+	+	+	0	–	+	0	+	–
Judgment	+	+	+	+	+	+	0	+	+	+	+	+
Work attitudes/motivation	+	+	0	+	+	+	0	0	+	+	0	+
Flexibility/adaptability	–	0	0	–	–	–	–	–	–	– –	–	–
Acceptance of new technology	–	– –	–	– –	–	–	–	–	0	–	–	–
Suitability for training	–	+	0	0	0	+	0	–	0	0	0	0
Ability to learn new skills	0	0	0	–	–	0	–	–	–	–	–	0
Creativity	0	+	0	0	–	–	–	–	+	+	0	+
Commitment to quality	+	++	0	0	+	+	+	+	+	+	+	+
Physical ability to perform job	–	0	N/A	– –	–	N/A	–	N/A	–	–	N/A	–
Attendance and punctuality	+	++	+	+	++	+	+	+	+	+	0	+
Turnover	+	+	+	+	+	+	+	+	+	+	–	0
Workplace injury	0	N/A	N/A	0	–	N/A	0	N/A	0	0	N/A	0
Working in teams	–	0	+	0	–	0	–	+	0	–	–	0

KEY ++ = very positive; + = positive; 0 = neutral; – = negative; – – = very negative; N/A = trait not applicable to company's operations

Source: ICF Incorporated interviews with senior managers; sample size = 38.

EXHIBIT 3-2
POSITIVE ASSESSMENTS OF OLDER WORKERS, BY ATTRIBUTE



Source: ICF Incorporated interviews with senior managers; sample size = 38.

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Managers' statements that they valued experience generally were not supported by deliberate policies or practices that rewarded experience. Although some managers pointed out that their company rewarded experience through higher compensation, the most frequently mentioned form of internal recognition was a tenure-based award, such as a plaque for 25 years of service. Moreover, in discussions with older workers, one of the most cited complaints was that their company did not adequately take advantage of their experience and use their accumulated knowledge to the fullest extent possible.

- *Good judgment*. Older workers also were seen as having better judgment than other workers. Good judgment was viewed as a product of patience, experience, and maturity. Managers stated that this ability came from an enhanced perspective and experience that many older workers had attained over their careers and personal lives. They generally thought that older workers were able to harness this experience to act in a disciplined and thoughtful way that often eluded their younger, less experienced colleagues.

  Managers also praised older employees for their ability to use good judgment to resolve conflicts. "Senior staff have been in difficult situations more often," explained one manager. "This allows them to respond to problems in a smooth manner and defuse situations." Some managers, however, reported that older workers were sometimes less willing to exercise independent judgment and make decisions. This perceived reluctance led some managers to conclude that older workers' judgment was below average. One manager stated, "Older workers sometimes say, 'I'm not getting paid to make decisions. You point me in a direction and that's what I'll do.'"

- *Strong commitment to quality*. The majority of managers thought that older workers had a stronger commitment to quality, with none reporting that older employees were less quality-conscious than other workers. Managers attributed this trait to several factors, including a more quality-oriented education and life experiences that provided them with a stronger work ethic. Managers also viewed older workers as having a firmer dedication to their jobs, product or service, and company as a result of the psychological attachment to the company that increases with tenure. "More older workers grew up in an environment where quality was the number one issue," explained one manager. "Their values come from an age when [the quality of your work] meant something." Another added, "Younger workers think they can get a job anywhere. Older workers have a greater investment in where they work."

- *Reliable attendance and punctuality*. Most managers viewed older workers as having better attendance and punctuality than other workers, and appreciated their steady performance in this regard. Managers attributed the tendency of older employees to "put in an honest day's work" to their stronger work ethic and commitment to their employer. Interestingly, this sentiment was not borne out by companies that reported absenteeism data or by the results of other studies, which have shown that employees aged 60 and over have the highest rate of absenteeism.[4] That managers' assessments were not supported by the data provided suggests several possible explanations. First, managers' assessments may be clouded by the stereotypical image of the older worker as steady, dependable, and predictable. Alternatively, managers may view more frequent sick days and other forms of absence as attendant features of advancing age or fair rewards for long service, and therefore do not include such absences in their consideration of the attendance and punctuality of their older workers.

  Several managers noted that while older employees might have better regular attendance, they were less willing to work long

[4] *Both companies reporting data on absenteeism by age group indicated that workers age 60 and over had the highest rate of absenteeism of any group. Furthermore, national data show that rates of absenteeism for employees aged 55 and over are modestly higher than those of younger workers, with the exception of workers aged 16 to 19 (Barth, McNaught, & Rizzi, 1995). However, compared to younger workers, older workers generally have the same or fewer absences for personal reasons.*

hours, especially if they were salaried and did not receive overtime pay. "Younger employees have more stamina," said one manager. "They come in earlier and stay late more often."

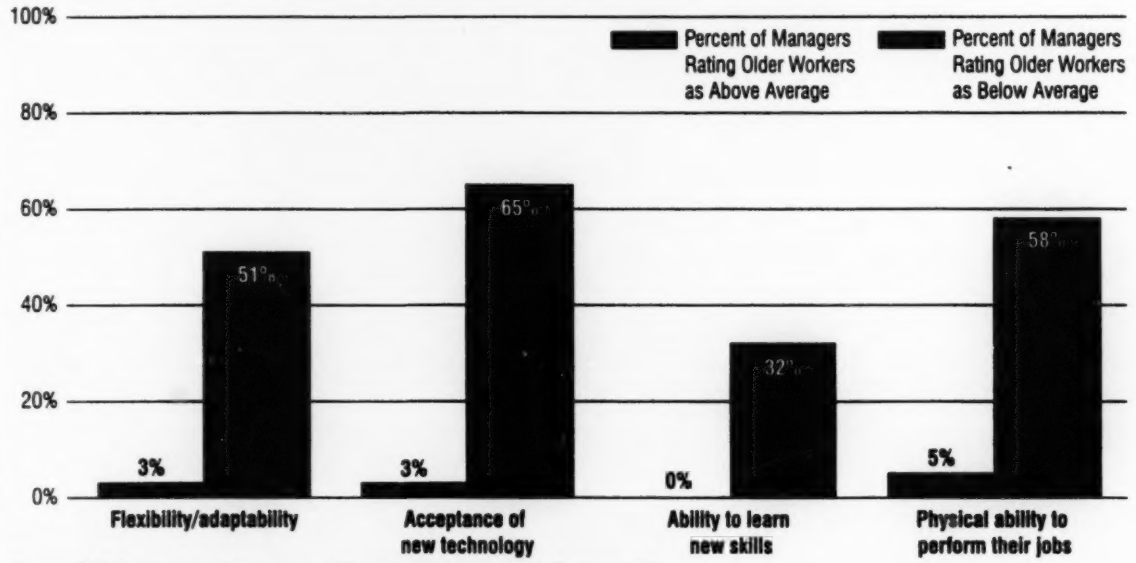
- *Low turnover*. The great majority of managers reported that older workers were much less likely to leave the company for reasons other than retirement. Several managers stated that "older workers never leave" unless early retirement incentives are offered. Managers cited lower turnover as being an advantage because of retained experience and institutional knowledge, and avoided recruiting and training costs. However, because many companies did not have an accurate estimate of the costs of turnover, the true economic value of low turnover may not register with managers. During the interviews, managers often discussed differential rates of turnover among various age groups with a mild air of resignation as if these differences were relatively immutable and not meaningful to compare. In some cases, it appeared that managers did not appreciate the actual cost or significance of lower turnover.

Additionally, some managers indicated that the lower turnover of older employees was not necessarily a benefit to their companies. They stated that long-tenured employees generally had high salaries for their position and lower motivation. They also cited a mismatch between the skills that older employees had and those that the company increasingly needed. "Older workers have less desire to find something new to do," said one manager. Another commented, "Older workers...want to ride out their years until retirement." Several managers stated that due to the cumulative effect of merit pay increases, older workers often were paid at above-market rates, and were not likely to find employment elsewhere at a comparable wage. Thus, they often stayed with the company even if they were unmotivated and unhappy.

Negative Assessments Concerning Older Workers

The majority of managers thought that, on average, older workers were less flexible and adaptable, less accepting of new technology, and had

EXHIBIT 3-3
NEGATIVE ASSESSMENTS OF OLDER WORKERS, BY ATTRIBUTE



Source: ICF Incorporated interviews with senior managers; sample size = 38.

more difficulty learning new skills. These traits were often seen as being interrelated and placing older workers at a significant disadvantage in a modern workplace characterized by technological change and process improvements. Managers also had concerns about the ability of older workers to adapt to work environments increasingly characterized by less managerial supervision and more reliance on self-initiative. Exhibit 3-3 shows the characteristics for which the majority of managers rated the performance of older workers as below that of younger employees.

- *Lack of flexibility and adaptability*. The majority of managers thought that older employees were less flexible and adaptable than other employees in several ways. First, and perhaps most significantly, many managers thought that older workers were less flexible in the way they approached their jobs. Many managers, especially those in companies undergoing downsizing or restructuring, saw this trait as a major liability. Comments such as "older workers are more likely to reject new ideas" and "older workers find it harder to change habits" were common.

  Many managers also thought that older workers were less apt to suggest process improvements and more likely to have the attitude that "if it's not broken, don't fix it." Managers stated that this trait stemmed from "a vested interest in the status quo." Another manager added that long tenure was not always an asset, because "older workers can become so entrenched that new ideas become repugnant to them."

  Some managers also thought that older workers were less flexible in terms of working overtime or nontraditional work shifts. This complaint was most prevalent among managers who worked in companies or divisions with fluctuating or high-intensity labor needs, and those with multiple shift or continuous operations. "Older workers want regular hours, and it can be hard to staff them in our 24-hour operations," said one manager.

- *Reluctance to accept new technology*. Most managers thought that older workers were more reluctant to learn and use new technologies, especially those involving computers. Managers attributed this reluctance to a number of factors, including older workers' inexperience with technology-based systems, less exposure to computers during their schooling, and their concerns that technology would make them expendable. Many managers stated that older people's general reluctance to use new technology in their everyday lives translated to their attitudes in the workplace. For example, one manager noted that older employees were much less likely to use electronic direct deposit for their paychecks. "They like to have that paycheck in their hands and deposit it themselves at the bank. It comes from not trusting or being comfortable with technology."

  Many managers saw the reluctance to accept new technology as being related to older workers' relative inflexibility and difficulty in learning new skills. "People's ability to assimilate change generally declines with age," stated one manager. "Older workers can have a hard time keeping up with technological leaps. Fear is a factor, as is reticence to change."

  Managers at companies that were reducing their work force were more likely to voice the opinion that older workers resisted technology. "To older employees, new technology often means, 'I'm going to lose my job,'" said a manager of a company undergoing a comprehensive redesign that will likely result in significant downsizing. "It's an on-going battle for us to convince people otherwise." On the other hand, managers at fast-growing companies were less likely to label older workers as resistant to technological change. "Our workers don't believe that they'll be replaced by new technology," said one manager. "We're growing so rapidly that [if their jobs are consolidated or eliminated], they can be moved."

- *Difficulty learning new skills*. Many managers thought that older workers had more difficulty than other workers in learning new skills. Younger workers were widely seen as "more technologically advanced" and "quicker studies." However, many managers thought that older workers had an equivalent capacity for learning new skills and simply needed more training and time to learn than other workers. Older workers who were not willing to update their skills were seen to be at a major disadvan-

tage. As a manager of a high-technology firm remarked, "Anybody reluctant to evolve their technical skills will be left behind."

Mixed Assessments Concerning Older Workers

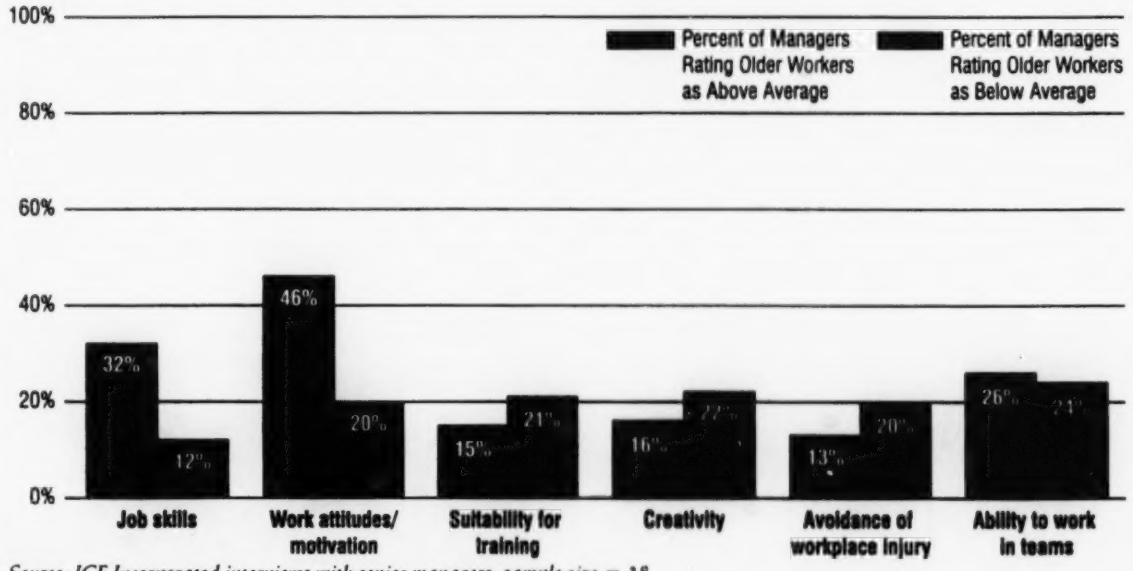
Managers had differing and overall mixed opinions on older workers' performance for several characteristics and traits. These differences may be a result not only of varying opinions, but also of diverse interpretations of attributes and behaviors. For example, to some managers, employees with good work attitudes and motivation are those who come to work every day, follow directions, and get along with their colleagues. For other managers, motivated employees are those who work long hours, show initiative and ambition, and suggest new ways of doing things. Exhibit 3-4 displays the characteristics for which managers had differing opinions regarding older workers' performance.

- *Job skills*. Many managers thought that older workers, as a group, had above-average interpersonal and supervisory skills. Managers attributed these skills to older workers' accumulated work and life experiences, and the respect that they commanded in the workplace. In addition, for skills that required work experience rather than formal training, older workers received high marks. For example, older workers were seen as being more capable craftpersons.

  However, managers also noted that older workers generally had below-average computer skills. In addition, some managers thought that because older employees tended to have less formal education, they had weaker job skills in fields that benefited from such training, such as marketing.

- *Work attitudes and motivation*. Older workers were universally praised for their dedication, loyalty, and commitment to their jobs. Many managers thought that older workers appreciated their jobs more, in part because they felt fortunate to have a job. "Older workers don't take advantage of the system or avoid unpleasant tasks," said one manager. Several managers also thought that older workers were more likely to be satisfied in their positions, particularly those with "menial jobs," in part because their career aspirations were not as high. Many also thought that older workers were more

EXHIBIT 3-4
MIXED ASSESSMENTS OF OLDER WORKERS, BY ATTRIBUTE



Source: ICF Incorporated interviews with senior managers; sample size = 38.

"stable" employees, both in terms of work performance and emotional health. "Older workers have been through cycles and know that what goes down, goes up," explained one manager. "They're not as easily upset."

However, a large number of managers thought that older workers had below-average work attitudes and motivation. Managers were more likely to express this view if they equated work attitudes and motivation with personal ambition and initiative. Many generally agreed with one manager's assessment that "older workers have an eye to retirement and want to ride out their careers." Some managers acknowledged that such perceptions could adversely affect opportunities for promotion or new job assignments. "Managers are sometimes concerned about 'how much runway' an older worker has left," said one manager. Another manager described many older workers as complacent and "treading water" before retirement.

Others agreed that some managers' poor opinions of older workers in turn affected the motivation of these employees. "There's some dynamic between the way you're perceived and the way you behave," explained one manager.

Many managers also viewed older workers as more likely to oppose job restructurings and consolidations, especially if the changes involved an increase in strenuous labor. In general, managers at companies undergoing work force reductions were more likely to believe that older workers had poor attitudes and lower motivation.

To summarize, while older workers were valued for their dedication and loyalty, managers regularly expressed concern about their perceived lack of ambition and initiative. Conversely, younger workers were seen as working harder but also being less dependable over the long term. As one manager put it, "Younger workers have a greater capacity to work 24-hours-a-day, but will also work 24-hours-a-day for somebody else."

- *Suitability for training.* The majority of managers thought that older and younger workers were equally suitable for training, with nearly equal numbers believing that older workers were more or less suitable.[5] Some managers thought that older workers were more suitable for training because they generally needed to obtain new technical skills (e.g., computer-based skills) more urgently than younger workers. Others thought that older workers more fully appreciated the value of training and the positive impact it had on their skills.

  Managers who thought that older workers were less suitable for training based this opinion on the sentiment that older workers had less desire to receive training.[6] "Older workers are less aggressive about pursuing training opportunities," said one manager who linked this passivity with a reluctance to participate in training programs. Added another, "Younger workers have a greater thirst for knowledge and are more aggressive in getting training. Older workers are more set in their ways."

[5] *It is worth noting that this finding differs from that contained in The Commonwealth Fund's Laborforce 2000 study (Mirvis, 1993), which found that 37 percent of employers rated older workers as less suitable for training, with only 6 percent finding them more suitable than other workers. In addition to the factors described above, another possible reason for a more positive view on the value of training older workers is that managers are increasingly realizing that the "half-life" of training is decreasing, especially in high-skill, high-technology fields. This trend has not only made training more important for increasing productivity and competitiveness, but also has caused many skills obtained during training to become outdated faster. This shortens the payback period for training (i.e., decreases the length of time that an employee must continue working to allow the company to obtain a favorable return on the training investment).*

[6] *This sentiment was echoed by data submitted in the work force questionnaire. While each company indicated that it spent equal amounts of money training older and younger staff, five of the nine companies reporting data indicated that older employees were less likely than other workers to enroll in a course for which they could receive reimbursement. In addition, all companies reported that employees were selected for company-provided or –sponsored training based in part on employee initiative. These findings suggest that older employees may be less likely to receive training because they are less aggressive in pursuing such opportunities. This may lead some managers to conclude that older employees are "less suitable for training."*

Notably, few managers stated that older workers were less suitable for training because of the expectation that they would soon retire. Although a few managers expressed concern that older employees "didn't have much runway left" and might not provide a good return on a training investment, many expressed the view that older workers' relatively low turnover offset this concern. Managers stated that it was difficult to recoup the costs of training younger employees because they were more likely to take what they learned in training and use it to obtain a job at another company.

- *Creativity*. Managers viewed creativity as being closely linked with experience, but had varying opinions on whether experience boosted or hampered creativity. Some managers said that experienced employees, especially those who had been employed in a variety of positions and by a number of companies, tended to bring the most creative and innovative ideas to their jobs. However, managers generally thought that employees who had been in the same position for a long time were less creative than employees new to the position. "The longer someone is in a job, the less creative they become," said one manager. Other managers also thought that a lack of creativity was generally characteristic of older workers. "Older workers have been oriented towards not being creative during the bulk of their careers, and such behavior is difficult to change," said one manager. Another added that older workers were generally less innovative, because "they are more caught up in the way things are, rather than looking for new ways of doing things."

- *Rate of workplace injury*. Older workers were generally seen as being more safety-conscious in the workplace and compensating for any declining physical ability by performing tasks in a less physically strenuous manner. "Older workers work smarter, pay attention, and know their way around," remarked a line manager of a manufacturing operation. "They are less likely to jump in front of a forklift." Several managers noted that older workers' concerns about accident prevention had the added benefit of raising the awareness of other staff.

  Several managers noted, however, that older workers had a higher rate of chronic, workplace-related health problems, such as back pain. In addition, a manager of a distribution center stated that when older workers injured themselves, they tended to be out longer.

- *Working in teams*. Managers had divergent opinions of the relative ability of older workers to work in teams, with an almost even number of managers believing that older employees were either below-or above-average team players, and approximately 50 percent perceiving no difference between older workers and other employees. Many managers thought that older workers' interpersonal skills helped them to lead a team and resolve conflicts. Several also thought that because older workers were less individualistic, they were more willing to work cooperatively to achieve goals. "Older workers tend to be less disruptive in team direction and more constructive in trying to solve the problems that a team encounters," said one manager.

  However, many managers stated that because team-based systems were relatively new, older workers were more reluctant to participate. "Older workers are used to rewards based on personal results rather than team-based performance," remarked one manager. A manager from a company that was revamping its compensation system to reward team-based performance thought that long-tenured workers would have the most difficulty adjusting. "For years, older employees have seen each other as competitors, and the company encouraged such competition. Now they're being asked to work in teams."

  Several managers also were of the opinion that older workers had difficulty adapting to team-based systems that required independent judgment. "Older workers look to the hierarchy of management," explained one manager. "They want to be led." Other managers thought that older workers had a tendency to guard their knowledge and wanted to be individually responsible for their work, which adversely affected team-based performance.

Overall Assessments of Performance and Productivity

While assessments of older worker performance varied for different companies, job types, and individual managers, the following conclusions can be drawn concerning overall evaluations of older workers:

- *Steadier but less stellar work performance.* Based on assessments of attitude and motivation, creativity, attendance, and turnover, many managers thought that older workers tended to be steady performers who came to work regularly and punctually, and made reliable contributions. Managers thought that older employees generally were more loyal and dedicated than other employees, and were unlikely to leave their company for reasons other than retirement. They were praised for a strong work ethic and sense of responsibility, and were seen as less likely to "take advantage of the company."

  Managers noted, however, that while older workers offered their company steady and reliable work performance, they were less likely to be stellar performers. "Younger employees tend to be erratic with a wider range of performance," said a manager of a self-described "youth-oriented" company. "You get some stars who can lead and motivate, but you also have many who leave [the company] or don't show up for work. With an older employee, you get a more stable worker on average, but also one who does not have the same potential for future growth." Many managers stated that older workers were less likely to "make breakthroughs" in product developments or suggest a process change that saved the company money. Older workers also were viewed as being less willing to work long hours, which several managers attributed to their sentiment that older employees had "an eye to retirement."

- *More quality-oriented but less innovative.* Managers reported that older employees had a much stronger commitment to quality than other workers. Managers thought that older workers had developed this trait as a result of their upbringing, extensive work experience, and dedication to their job and company.

  At the same time, many managers thought that older workers were less likely to offer innovative suggestions or exhibit flexibility in their approach to their jobs. Managers reported that older workers preferred to do their jobs in the ways that they had always done them, and were more reluctant to embrace new technologies and systems. Many managers remarked that older employees, particularly those in low-skill jobs, tended to seek managerial direction and were reluctant to exercise independent judgment. This was seen as a significant liability by managers at companies that were eliminating management layers, promoting team-based systems, and relying on workers to show more initiative.

- *Better overall job skills but less training in new fields.* Managers generally gave older workers high marks for their job skills, especially those that they had developed and refined over their careers. Many managers also thought that older workers had better supervisory skills, especially if they worked in manufacturing departments. Managers said that supervisory skills were enhanced by experience, long tenure,.and respect commanded in the workplace.

  Older workers received lower marks for their computer-and technology-based skills, which managers attributed to a lack of formal training in these areas, greater reluctance to use new technology, and more difficulty learning new skills.

- *More safety-conscious but less ability to perform strenuous tasks.* Managers at manufacturing companies or departments with physically strenuous labor needs stated that older workers often had trouble lifting heavy items and working in confined spaces. For some physically demanding positions, managers reported that job performance tended to decline with age. Several managers anticipated that this age-related decline could become increasingly troublesome as their companies moved to consolidate job responsibilities and required employees to perform a wider range of tasks.

While several managers thought that older workers tended to injure themselves more on the job, others said that older workers compensated for any declining physical ability by doing their jobs in a less physical and more careful manner. Many thought that older workers were more safety-conscious and taught other workers to follow safe procedures.

Work Force Traits Desired by Managers

When asked during interviews about specific work force traits that they admired and rewarded in making human resource decisions, managers provided a range of responses, but were most likely to state that the most valuable workers were those who could work and think independently and resourcefully, adapt to changes in the workplace, and effectively perform numerous job functions, as shown in Exhibit 3-5.[7] These specific traits would appear to be closely linked with traits such as flexibility and adaptability, acceptance of new technology, and ability to learn new skills, attributes that a large percentage of managers thought older workers generally lacked, as discussed earlier in this chapter. Although older workers were rated highly for their judgment in carrying out their jobs, managers reported that older workers, who are most accustomed to traditional hierarchical work relationships, were often more reluctant to take the initiative and act independently and resourcefully in decentralized work environments. Interestingly, older workers themselves believed that in addition to their maturity and judgment, one of their strengths is their ability to "get things done" by drawing on their accumulated knowledge and informal network of contacts.

Several other characteristics mentioned by managers as desired qualities, such as more experience, a higher commitment to quality, more dedication and loyalty, and a stronger work ethic, were attributes that managers more often associated with older workers. However, judging from the statements of managers, these traits do not represent companies' primary work force needs and appear to be taken for granted. Managers were even less likely to cite lower turnover (cited by two managers) or better attendance and punctuality (cited by no managers) as desired work force traits, which are attributes for which managers rated older workers very highly.

An implication of these findings is that although managers' assessments of older workers are neutral or mixed upon initial analysis (with older workers receiving positive overall assessments for five traits, negative assessments for four traits, and mixed assessments for six traits), older workers not report any age-related differences in overall work performance, they do appear to view older workers as lacking some of the key attributes that they desire.

Older Workers' Assessments of Their Performance

In older employee discussion groups, participants discussed what they perceived to be the strengths of older workers and the traits that they brought to their jobs. Older workers also discussed whether their experience was valued and the availability of, and interest in, human resource programs designed for older workers. Approximately 75 older workers, ranging in age from 50 to 75, participated in the 12 discussion groups.

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[7] *Managers' positive and negative assessments of older worker performance, as reported in this study, largely agree with the results of previous research, although some slight discrepancies exist. For example, in a recent survey of over 400 human resource executives at large organizations (Mirvis, 1993), 76 percent of the respondents said that older workers had less turnover than younger workers, and 66 percent reported lower absenteeism. In addition, 57 percent reported that older workers had better work attitudes than younger workers, and 48 percent reported better job skills. The same survey found that these executives rated older workers lower than the average worker regarding flexibility in taking on new job assignments (57% of the executives rated older workers as worse than average) and suitability for training (37%). A 1989 AARP/DYG study also found that human resource executives gave very good or excellent ratings to older workers with respect to reliable performance (87%), solid experience (78%), commitment to quality (89%), loyalty (86%), and attendance/punctuality (91%).*

EXHIBIT 3-5
TRAITS THAT MANAGERS DESIRE IN THEIR WORK FORCE

Traits	Number of Companies with Manager(s) Mentioning Trait
Work more independently, be more resourceful, and exercise independent judgment	
More adaptability to changes in the workplace	
Effectively perform numerous job functions	
More experience	
More ambition/desire to improve	
Better ability to work in teams	
Higher commitment to quality	
More dedication and loyalty	
Stronger work ethic	
More ability to learn new skills/technologies	
Lower turnover	

Note: Each of the following traits was cited once: more flexibility with respect to work scheduling, hours and location; and better ability to work under pressure.
Source: ICF Incorporated interviews with senior managers; sample size = 38.

Older Worker Contributions to Companies

Discussion group members identified numerous traits that older workers tended to bring to their jobs, all of which were enhanced by their experience. Positive traits cited by older employees included maturity and stability, loyalty and dedication, good judgment, resourcefulness, mentoring ability, an ability to provide quality customer service, superior work ethic, and high productivity. Older employees viewed these traits as fundamental performance characteristics valuable to any company.

- *Maturity and stability*. Older workers stated that their experiences in life and work made them more stable and mature employees. "We have experienced the ups and downs of life and work, and know how to handle them," said one employee. They viewed this ability to handle situations calmly and effectively as an advantage for dealing with high-pressure situations, working with other staff, and serving customers. Discussion group members also thought that older workers had better interpersonal skills, which made them better supervisors and team players.

- *Loyalty and dedication to their companies*. Older employees cited their loyalty and strong sense of personal responsibility as major assets to companies. They thought that older workers were generally more willing to make contributions and more attentive to detail, in part because they had a firmer commitment to their company and co-workers. Older workers differentiated themselves from their younger colleagues, who they thought viewed their jobs as "just one stop in the career path."

Older employees generally maligned the changes in the workplace and the economy that had led to downsizing and an erosion of the traditional relationship between employer and employee. Older employees noted that it was ironic and disappointing that companies appeared to be least loyal and committed to their older employees, who were their most dedicated workers. Discussion groups partially attributed this loyalty to their feeling that as older employees, they did not "have as many opportunities for other employment [elsewhere]."

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- *Good judgment*. Older employees saw judgment as being closely related to experience. "Wisdom comes with years," said one older employee. Older employees also stated that their judgment helped to lend caution to projects, which helped their companies "avoid pitfalls."

- *Resourcefulness*. Older employees thought their experience allowed them to be more resourceful, which enabled them to "get things done right and quickly." They stated that older workers were the most likely employees to know which file contained a key piece of information or who to call in a crisis situation.

- *Mentoring ability*. Older employees saw themselves as being able to play a valuable role in transferring their accumulated knowledge and experience to younger staff. "Older employees can help channel the energy of young people who have lots of ideas," said one employee. Older employees expressed an interest in playing a mentoring role, but most stated that their company had not implemented a mentoring program. Many older employees saw this lack of interest on the part of companies as a "missed opportunity" for taking advantage of their experience.

- *Excellent customer service*. Older employees employed by service companies stated that older, more experienced workers tended to provide superior customer service. Some older employees stated that the relationships that long-tenured employees built with their clients were very important for customer satisfaction.

- *Superior work ethic*. Older workers stated that they had a superior work ethic, as evidenced by better attendance and punctuality, and a willingness to "go the extra mile." Many older workers stated that unlike some other workers, they "did not try to take advantage of the system" or "avoid unpleasant tasks." They also thought that older workers had a higher commitment to quality and were more thoughtful about completing their work.

- *High productivity*. Discussion groups stated that older workers were more efficient in their work, which enabled them to be more productive than other workers and "work smarter." "There is the stereotype that younger workers are more energetic and willing to work 16 hours per day," said one older employee. "But that doesn't mean they're always accomplishing more."

Company Utilization of Experience

Older employees generally believed that their service was appreciated at their companies and that no systematic age discrimination existed with regard to recruitment, hiring, training, promotion, compensation, and dismissal. They stated that any biases tended to reside with individual managers and not with upper management.

They also believed, however, that their experience tended to be undervalued by some managers and generally underutilized by their companies. Older workers described instances where their input was either not solicited or ignored, especially during periods of consolidation and reorganization. "We've been through change before and we have an opinion," said one older employee of a company undergoing restructuring. "But if we express doubt on whether something will work, people say we're being negative." Many stated that their companies were increasingly hiring "outsiders" or promoting young employees, who tended to be "novices with experience only in classroom situations." Many discussion group participants stated that as a result, long-tenured and experienced workers often had fewer opportunities for promotion, training, new job assignments, and general career refreshment. They reported that managers assumed that an older worker past a certain age was comfortable in a position and was not interested in new challenges.

Most older employees also reported that their company had not taken full advantage of their mentoring ability and willingness to impart skills and knowledge to their younger colleagues. None of the study companies had in place a company-wide mentoring program, so mentoring was usually done on an informal, case-by-case basis. Many older employees commented that their companies had the attitude that older employees should mentor only after completing their work for the day, and that this tended to make mentoring less prevalent.

Programs for Older Workers

The majority of companies participating in the study had few, if any, human resource programs targeted to older workers, with the exception of one in-house job bank, one company-supported network for employees over the age of 40, and preretirement financial planning seminars.[8] Moreover, no companies offered a formal program of phased retirement that allowed employees to gradually reduce their work commitments before retiring. This lack of programs stood in contrast to the large number of flexible work programs designed to meet the needs of working parents. While older employees were in no way prohibited from participating in programs such as part-time work, job shares, and compressed workweeks, most had not taken advantage of such options nor had they given much thought to the idea. Some instead expressed a need to continue working full-time and earning money during their peak saving years to be able to ensure a financially secure retirement.

Many older employees did express interest, however, in eventually phasing their retirement by gradually reducing their work schedule. Some employees, especially those working for fast-growing companies and companies that already had flexible work programs, thought that phased retirement would be a viable option. Most believed, however, their company would not approve such arrangements, and thought that a more likely scenario would involve an early retirement followed by periodic consulting opportunities for specific projects.

[8] *Part of the reason for a lack of programs for older workers may be a low perceived demand. Indeed, during group discussions, older employees generally did not tend to view themselves as an interest group requiring special attention. Many rejected the notion of receiving special treatment in terms of human resource programs and policies and were more interested in being valued and respected in the workplace, and having equal opportunities for promotions and new job assignments. There was moderate interest in developing company networks or committees for older employees at the company, but many employees expressed skepticism that older employees would actively participate. "Most employees don't want people to know they're over 50," explained one older employee.*

Older Workers' Responses to Recent Changes in the Workplace

Older workers themselves were acutely aware of the changing workplace and the challenges it poses for them in preserving their jobs and managing their careers. First and foremost, older workers were concerned about job security. They recognized the difficulty of having to find another job "at their age" and having to prove themselves with a new employer. In discussion group conversations, older workers expressed concerns about the potential loss of health care benefits and salary during what should be their peak saving years before retirement. Older workers stated that such losses would seriously compromise their standard of living in the near term and throughout their retirement.

At the same time, many older workers were nostalgic for past times, wishing that companies were more concerned about and committed to their employees. They regretted that tenure and good performance no longer guaranteed a secure job or merited the recognition and reward typical of the past.

Older workers generally believed that they had much to offer to their companies and wanted the opportunity to continue to contribute to the company's success in a changing work environment. Many stated that, as older workers, the most effective way to dispel negative stereotypes was through their work performance. Members of several discussion groups stated that older workers needed to take responsibility for keeping up with new knowledge and skills. "Younger people already have the tools for the electronic age," said one older employee. "We need to learn these skills on our own. We need to change to stay competitive." Added another older worker, "Resistance to change is a characteristic that you may see on an individual basis. It is not a trait specific to older workers."

CHAPTER 4
OLDER WORKERS IN A CHANGING WORKPLACE

In addition to collecting and analyzing managers' assessments of the current performance of older workers, this study asked managers to identify the key strategic and organizational challenges facing their companies over the next five years and the work force traits that they envisioned needing to meet these challenges. These issues focus on the changing nature of work in American companies and their importance for the future employment prospects for mature and older workers. How well older workers will fare in the changing workplace is addressed in the remainder of this chapter.

THE CHANGING NATURE OF WORK

Until recently, it was possible to describe the principal characteristics of the employer-employee relationship throughout corporate America as a long-term contract in which the worker tended to remain with his or her employer for most of, if not an entire, career, gradually moving to positions or duties of greater responsibility and achievement with time. In exchange for loyalty and dedication, the employee was rewarded with annual increases in compensation equal to or above the inflation rate, generous fringe benefits including health care coverage, and the promise of a guaranteed pension (and sometimes health benefits) upon retirement. As described recently by the Secretary of Labor, "If you did your job conscientiously, you could count on having that job as long as the company stayed in business."

Over the last decade, this traditional relationship between employer and employee has largely collapsed as foreign competition, technological innovation, and shifting markets have forced most U.S. corporations to redefine the nature of work and employment.[1] In the "new world of work," lifetime job security and employee loyalty to the company have been replaced by a new, less paternal system engendering much greater employment and compensation risk for employees. Cost-cutting, restructuring, reorganizing, and reengineering are ongoing managerial priorities as managers rethink how labor is organized and deployed. Compensation and promotion are increasingly performance-based and measured over the very recent past. At the same time, companies are trimming or eliminating employee and retiree benefits and using more contingent workers who can be let go quickly and cheaply when short-term projects end or markets suddenly shift. The "contract" between employer and employee has moved from "relational" to "transactional" (Mirvis & Hall, 1994). For most workers, a career has become a journey, not a place.

Out of the rubble of the past, companies are crafting their own new world of work, specifically tailored to the characteristics of their work force, the competitive pressures that they face, and the goods or services that they produce. Amid the variety, however, certain themes recur. In the new world of work, jobs are transient and changeful, placing a premium on lifelong learning by employees to maintain and enhance valuable job skills. Compensation, continued employment, and the promise of advancement are based on the current and prospective value of the employee to the company; past accomplishments are quickly and heavily discounted in human resource decisions. Workers have become empowered and are expected to display greater creativity and initiative in performing their duties than in the past. At the same time, their job duties have been expanded requiring workers to master a broader range of skills and "do more with less" by focusing only on those activities that "add value" to the good or service being produced. Strict and clear lines of authority and reporting have blurred

[1] *See Fay (1995) and Hall and Mirvis (1994), for a more complete discussion of these changes as they pertain to older workers.*

into a shifting set of relationships with supervisors, suppliers, colleagues, and customers.

The changing nature of work is reflected in the transformations occurring at the companies in this study. Seven of the 12 companies had reduced the size of their work forces over the past three years, as shown in Exhibit 4-1. Often, the preferred method of reducing head count had been to offer early retirement incentives, which clearly were aimed at older workers. Looking forward, six companies expected additional cuts in staff, and five companies mentioned the likelihood of an Early Retirement Incentive Package (ERIP) in the future. Further, at the companies that expected to reduce staff, managers often spoke of a need for "new skill sets"—more employees with those traits currently missing or in short supply in the company's work force. This suggests that downsizing at these companies may not only seek to eliminate certain positions entirely, but also open up other positions to be filled by new hires with different skills from those possessed by the current employees. Only two companies expected to hire significant numbers of new employees to take advantage of growth in their businesses, and they were two of the smallest companies in the study in terms of the number of employees.

Work Force Traits Desired by Managers for the Future

Almost without exception, managers interviewed thought that the quality of their work force would be an important determinant of corporate success in the next five years. Some managers stated that with fewer workers and broader job responsibilities for each remaining position, an individual worker had more opportunity to affect the company's performance either adversely or positively. Other managers believed that with technology and information becoming cheaper and more available and competing products more similar, the quality of the work force, particularly in the form of superior customer service, was one of the few remaining areas for differentiation among companies.

The managers also were asked to name one trait or characteristic that they would change in their work force given the competitive environment that they expected in the next few years. Managers at 2 of the 12 companies cited more experience as the one trait that they would like to improve in their work force, reflecting a clear need for more experienced staff to fill positions in growing departments. However, the most common answers centered around the issues of flexibility and change—being receptive to change in how the company operated, looking to be "an agent of change," fostering creative solutions to new problems and challenges, and "finding new ways of doing things around here" (see Exhibit 4-1). This recurring theme of the need for adaptable, flexible workers who welcome and initiate change stands out in the context of views held by many managers that older workers are the segment of the work force least accepting of change (see Chapter 3). In terms of specific skills and attributes required by the new world of work, managers held somewhat more complicated and mixed opinions about how well older workers would fare, as discussed below.

- *Worker empowerment.* Managers judged older workers as less willing to move away from the "way things used to be done around here" and as more reluctant to embrace greater responsibility and initiative. Older workers were seen as most comfortable with fixed lines of reporting and were accustomed to looking to a superior for direction. In contrast, younger workers, especially those eager to demonstrate their ambition and ability, were cited as most likely to take advantage of the opportunities available in an empowered work environment.

- *Teams.* Managers had considerably divergent opinions about older workers' performance in teams, as described in Chapter 3. Some managers reported that older workers may resist the transition to team-based production, but usually became better team players because they are less egotistical, more aware of others, and more willing to help fellow team members. Other managers thought that older workers were slower to adapt to a team environment and were more likely than younger workers to continue to look to management for direction and resolution rather than to other team members.

EXHIBIT 4-1
SUMMARY OF WORK FORCE TRENDS AND OUTLOOK, AS REPORTED BY MANAGERS

Company	Recent Change in Work Force Size	Projected Change in Work Force Size	Traits Managers Most Want to Change in their Work Force	Implications for Older Workers
A	Increased significantly	Increase	Shortage of experience	++: Rapidly-growing company values older workers for industry-specific experience and ability to mentor younger staff
B	Increased	Stable or increase slightly	Shortage of experience, opposition to team-based systems, opposition to change	+: Company values, respects, and rewards experience; seeking more experienced staff in some departments; managers rejected notion that older workers were inflexible or less willing to embrace new technology
C	Decreased significantly	Decrease	Inflexibility, reluctance to exercise independent judgment, lack of dedication and stability	0 to –: "Youth-oriented" company prefers "high-energy", flexible workers; older workers seen as having more difficulty with new technologies and learning new skills; experience valued but not sought; a future ERIP is possible and downsizing is likely
D	Decreased significantly	Decrease	Inflexibility, opposition to team-based systems, lack of ambition	0: Older workers seen as being less flexible; however, interpersonal and customer service skills seen as above-average
E	Increased significantly	Increase	Resistance to change, inflexibility	+: Older workers are highly valued for the experience and diversity they lend to a predominantly young work force; managers did not associate resistance to change and inflexibility with older workers; older workers seen as having a strong work ethic and being an important part of the company's growth strategy
F	Decreased	Decrease	Inflexibility, lack of ambition and desire to learn new skills, reluctance to exercise independent judgment, rejection of new technology	– –: Older workers seen as less versatile and more resistant to change; managers also viewed them as having trouble performing physical work and being more reluctant to exercise independent judgment; an ERIP is possible
G	Decreased	Decrease	Inflexibility, lack of ambition and initiative, acceptance of the status quo, rejection of change and new technology	– –: Older workers seen as complacent, less versatile, and lacking needed skills; experience discounted and seen as hampering creativity and ambition; an ERIP is possible

continued on page 30

KEY: ++ = very positive + = positive 0 = neutral – = negative – – = very negative
ERIP: Early Retirement Incentive Package.

EXHIBIT 4-1, CONTINUED
SUMMARY OF WORK FORCE TRENDS AND OUTLOOK, AS REPORTED BY MANAGERS

Company	Recent Change in Work Force Size	Projected Change in Work Force Size	Traits Managers Most Want to Change in their Work Force	Implications for Older Workers
H	Decreased	Stable	Opposition to team-based systems, lack of initiative in learning new skills, lack of dedication and identification with company mission	0 to +: Company values experience, especially for craft positions; older workers seen as having a strong commitment to quality, which is of critical importance; older workers seen as good team players; automation has reduced physically demanding labor needs
I	Increased	Stable	Opposition to change, inflexibility, reluctance to exercise independent judgment, inability to learn quickly, lack of identification with company mission	0 to –: While managers value experience and commitment of older workers, they placed more importance on versatility and ability to work independently, traits for which older workers received below-average marks
J	Decreased	Decrease	Lack of ambition and drive, inflexibility, reluctance to adapt to new ways of doing things	–: Older workers seen as not having the necessary skill sets and ambition; managers anticipate a rapid pace of change and are uncertain about how well older workers will adjust
K	Decreased	Decrease significantly	Inflexibility, rejection of new technology, reluctance to exercise independent judgment, lack of dedication	0 to –: Experience is generally valued, but work force reductions (possibly through an ERIP) are planned; older workers seen as less comfortable with new technologies and changing processes
L	Stable	Stable	Reluctance to exercise independent judgment, attitude of entitlement to generous salary and benefits	0: Experience highly valued, older workers seen as equally suitable for training and able to learn new skills; managers reported very few age-related differences in performance; however, an ERIP is possible

KEY: ++ = very positive + = positive 0 = neutral – = negative –– = very negative
ERIP: Early Retirement Incentive Package.

Note: The ordering of companies in the table is random and does not correspond to the numeric designation and ordering of the company case studies in Appendix B.
Source: ICF Incorporated interviews with senior managers; sample size = 38.

- *Multiskilling*. Multiskilling is the process of creating a work force in which workers can perform multiple jobs so that labor can be redeployed quickly and without interruption in the face of shifting demand. Managers gave a mixed assessment of older workers' job skills. Older workers were rated highly for certain job skills, especially those that tended to improve with experience. For other skills, particularly technology-based skills, older workers were widely rated as inferior to other workers. Many managers also thought that older workers required more time and training to learn new skills, which may place them at a disadvantage with respect to continuous skill upgrading and acquisition. This latter point may be the most troublesome aspect of multiskilling for older workers. Rapid technological innovation and sudden, sometimes discontinuous, shifts in markets reduce the value of specific job skills while simultaneously increasing the value of the ability to learn and master new job skills (Fay, 1995). Thus, for companies facing the greatest change, multiskilling may focus on a worker's capacity to learn the skills of tomorrow as much as on his or her mastery of the skills in demand today.

- *Lifelong learning*. Managers' assessments on older workers' need for and capacity to absorb training were mixed. Older workers were rated lower than other workers on their ability to learn new skills, which may make certain managers less inclined to retain them in a workplace premised upon constant training and retraining. The perception that older workers are less able to learn is potentially very significant to the long-term employment opportunities available to them.[2] If managers are less inclined to train older workers in new technology and skills, the skills and productivity of older workers will decline, further eroding managers' confidence in their abilities. As a result, managers will decide against further investment in these older workers and will see them as superannuated and expendable, potentially creating a vicious circle of reinforcing perceptions (Barth, McNaught, & Rizzi, 1993; Hall & Mirvis, 1994). Overall, however, managers did not believe that older workers were less suitable for training, and some stated that older workers were more suitable for training precisely because they needed more training to keep their skills current.

Effects on the Employment Opportunities for Older Workers

In sum, the picture of the future for mature and older workers sketched by the 12 companies in this study shades toward the negative. Although the growing companies value the experience and commitment of their older workers and expect to hire more older workers, more companies expect to reduce employee head count in the coming years than expect to increase staff size. Further, the preferred method of reducing head count is likely to be through early retirement incentives, which are directed at older workers.

In addition, many companies expect to implement significant changes in the organization of work in coming years, and older workers may have the hardest time adapting to the new world of work. Older workers are most accustomed to and have usually gained the most under the traditional, more paternal and rigid system of organizing work. Further, these workers often feel tremendous loyalty and dedication to the company that increasingly, they believe, is not being reciprocated in the form of recognition or job security.

[2] *The term "perception" is used advisedly. Studies reported by Sterns & McDaniel (1994) indicate that older workers learn less than younger workers and take longer to complete training tasks and master course material. However, detailed, quantitative case studies in two corporate settings (Hogarth & Barth, 1991; McNaught & Barth, 1992) conclude that older workers learn roughly as quickly and effectively as other workers (and, with modest amounts of computer familiarity training, even computer-intensive training requires no additional time). Other research indicates that older workers do learn differently from younger workers (Bass & Barth, 1992) and that this fact should be considered in the design and delivery of training for older workers. It must also be noted that whether or not older workers learn as quickly or as well as younger workers does not answer the more important question about the ability of all workers to translate learning into greater productivity.*

The opinions of managers about which traits are most desired for the future suggest that mature and older workers may remain particularly vulnerable to many of the workplace changes affecting American companies. The traits most commonly desired for the new world of work are flexibility, acceptance of change, and the ability to solve problems independently—performance attributes on which managers generally did not rate older workers highly. Although the study includes a relatively small sample of 38 managers from 12 companies, the message is quite consistent: managers generally view older workers as less suitable for the future work environment than other segments of the work force. The favorable skills and attributes of older workers are not rated as critical to "where the company is going," especially at those companies that expect to undergo the most wrenching changes to remain competitive. Based on these findings, there is little reason to believe that the corporate gatekeepers who set broad human resource policies for the company will be any more predisposed to make special efforts to hire, retain, or promote older workers in the near future than they are now, except for the minority of companies where experience is a paramount work force need.

The long-term importance of this proposition—which perhaps should be treated as a hypothesis—will probably decline for several reasons. First, as the Baby Boomers age toward maturity and retirement, they can be expected to be more technically literate than the cohort that they will replace. Second, the Baby Boomers should be considerably more familiar with a workplace that emphasizes and is characterized by change. On the other hand, the sheer numbers of the Baby Boom generation may require companies to adjust to their aging work forces faster than they seem capable of doing.

In the near term, there remains a significant cohort of workers aged 45-65 who have spent the majority of their work lives in stable careers with a single employer. These workers now confront a rapidly changing workplace that, by most managers' accounts, discounts their strengths and rewards traits cited as their areas of weakness. Equally important to this picture is the projected labor market in which these events will unfold. Managers interviewed in this study did not report having any problems recruiting qualified workers and did not anticipate much difficulty in the future.[3] Roughly half of the companies in the study expect to reduce the size of their work forces in the coming years, limiting their overall level of hiring to less than replacement of normal turnover. Even the two companies expecting to continue their rapid growth reported no trouble finding a sufficiently large pool of qualified applicants for their needs. Unless the American economy enjoys a long period of sustained growth and job creation leading to job and skill shortages that force companies to seek out new sources of labor, there will be little pressure on managers to reconsider their negative assessments about the suitability of older workers for the new world of work. From the viewpoint of opportunity for older workers in the work force, the proposition or "hypothesis" stated above is particularly disturbing since the view of older workers that it describes is purely perceptual. That is, only a perceived change in the attitudes of older workers toward change, group work, and lifelong learning is likely to change the neutral to negative perceptions held by managers, as identified in the 38 interviews.

Consequently, moving toward age-neutrality may require as much action and change by older workers themselves as is required of corporate policies, practices, and attitudes. Older workers must recognize that their most positive attributes are being discounted and the attributes on which they are rated neutral to negative are increasingly prized by managers. It may be the unfortunate case that, as people enter their third and fourth decades in the work force, they must work especially hard to overcome managerial assessments (or maybe biases) if they are to have a secure and rewarding place in the future world of work.

[3] *The lack of concern about the difficulty of finding qualified employees articulated by managers in this study is supported by other studies based on larger samples; see, for example, Mirvis (1993).*

CHAPTER 5
FINDINGS AND CONCLUSIONS

This study on the costs and benefits of older workers to employers was intended to answer two questions of critical importance to the present and future employment opportunities for older workers:

- How do the employment costs and job performance of older workers compare with other workers?
- In the absence of quantitative data on costs and productivity, what factors and considerations influence corporate decisions on recruiting, hiring, retaining, compensating, training, and promoting older workers?

By developing case studies of 12 companies from information provided by a company-completed questionnaire, three in-person interviews with senior managers, and an on-site group discussion with older workers, this study has been able to address both questions in new detail and provide fresh insights into the findings of previous research on this topic. The principal findings and conclusions of the study are described below. Because the study is based on a limited set of case studies, the findings must be interpreted and generalized with care. Nonetheless, the material in this chapter represents findings consistent across the companies in the sample. Consequently, there is reason to believe that the findings may be common across a broader range and larger number of American companies and that further research and public policy attention in these areas is merited.

EMPLOYMENT COSTS OF OLDER WORKERS

On the critical issue of the employment costs of older workers, the answer is quite simple. For the companies in the study, most do not systematically keep or analyze quantitative cost or productivity data on employees and are even less likely to have examined the available data by age. Companies were most likely to be able to provide information by age group on salary, vacation (provided by tenure), and turnover. However, age-group cost data for other benefits (e.g., health care and life insurance) offered to employees were generally available from fewer than half of the companies. In addition, quantitative measures of productivity either were not available at all or could be provided only for a subpopulation of the work force. The effect of employment cost data on human resource decisions can be summarized as follows:

- Most companies do not have detailed information on the costs and productivity of their employees;
- What information is available is seldom organized and analyzed by age group to determine age-related differences;
- To the extent that the data are analyzed by age, the results are seldom provided to the key corporate gatekeepers who set and implement human resource policies and practices;
- Virtually no managers expressed a strong interest in learning about employment cost differentials among various types of workers, in part possibly because some of the costs of employment may not be fully absorbed by individual departments within the company; and
- Where managers agreed that older workers were likely to cost more than other workers, they also often noted that the higher cost was likely to be a legacy of generous compensation practices made during more profitable times.

Further, the quantitative data provided by the participating companies did not indicate conclusively whether older workers cost more to employ than other workers. For example, while salary and vacation time were generally positively correlated with age (making older employees more expensive in these respects), employee turnover declined with increasing age. Because most companies did not have robust estimates of the costs of turnover, accurately assessing the cost implica-

tions of lower turnover was not possible. Thus, no data were provided to support recent trends in corporate behavior toward mature and older workers that seem premised on the determination that older workers are more expensive or less productive than other workers, or both.

Managerial Assessments of Older Workers

In the absence of quantitative data on costs and benefits, human resource policies and decisions become the product of subjective assessments by corporate gatekeepers. Overall, managers do not project pervasive, companywide biases against older workers, as demonstrated by their response to general questions of age and performance:[1]

- None of the managers agreed with the general statement that job performance declines with age, except for certain strenuous jobs.
- Most managers volunteered the opinion that job performance at all ages varies by individual and that it was difficult to make sweeping statements about any segment of the work force.
- None of the managers agreed that age is a useful predictor of performance when making human resource decisions (e.g., assignment to training, promotions) except for physically demanding work.
- Managers generally provided specific examples, reasons, and anecdotes to support their responses about the performance of older and younger workers.

The conclusion stemming from these findings is that to the extent that age discrimination is occurring in the workplace, it is quite subtle and comes in the form of a bias much less harsh and overt than other forms of discrimination. As a result, while lawsuits may address the most extreme forms of age discrimination, subtler forms of bias and stereotyping may not be amenable to legal remedy although the damaging effects may be substantial.

With regard to the specific strengths and weaknesses of older workers, this study has largely confirmed the findings of previous surveys (AARP, 1985; AARP/DYG, 1989; Mirvis, 1993), which found that managers rated older workers highly on:

- Experience
- Judgment
- Commitment to quality
- Turnover
- Attendance/punctuality

Managers also identified older workers as weaker than other workers for the following performance traits:

- Flexibility
- Acceptance of new technology
- Ability to learn new skills
- Physical ability to perform strenuous jobs

The explanations for why older workers might surpass or lag behind other workers in certain performance attributes varied considerably and often depended on the company. For example, at one company, managers attributed older workers' resistance to new computerized technology to fear of the unknown (i.e., lack of familiarity and comfort with computers in general). At another company, resistance to new technology was attributed to employees' concerns that the new technology would lead to job cuts. Consequently, managers may hold common assessments about older workers' performance, but the underlying reasons may differ substantially, requiring company-specific changes in the behavior of older workers to alter managers' perceptions.

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[1] *Although it cannot be ruled out that managers were especially cautious in their answers given the study's topic and corporate sensitivity to issues of age discrimination, there is no evidence that managers were not honest and open in their responses.*

Overall, corporate managers held a mixed assessment of older workers, citing strengths, weaknesses, and areas of no discernible difference in performance. The aggregate assessment of older workers can be summarized as follows:

- Older workers are more consistent but less stellar performers, valued for their experience, stability, and steady performance.
- Older workers are more quality-conscious but less innovative.
- Older workers have strong overall job skills but lag behind in training in new fields, especially computers.
- Older workers are safety-conscious overall but sometimes cannot perform physically demanding tasks.

Where this study departs from previous research and breaks new ground is in understanding the relative importance that managers attribute to different performance attributes. The in-person interview format allowed follow-up questions to determine the "weight" that each manager associated with each performance trait, that is, to what extent was a specific attribute highly desired or valued by the manager or company. Perhaps most informative was how managers weighed the qualities of older workers in comparison to the skills most needed or desired by their companies. By this measure, two symmetric findings emerged:

- The traits that managers most admire in older workers—and which older workers themselves report as their most positive attributes—are not highly valued in making human resource decisions related to hiring, promotion, retention, and job assignment. Indeed, the qualities of loyalty, dedication, stability, commitment to quality, low turnover, and regular attendance and punctuality characteristic of older workers often seem to be taken for granted by managers, even though managers acknowledge that these are important shortcomings of new entrants to the labor force (Mirvis, 1993).
- Conversely, the performance traits cited by managers as areas of weakness for older workers are those considered most desirable for today's changing workplace and those critical to the company's success in the future. These traits include flexibility, adaptability to change, and a capacity and willingness to exercise independent judgment.

Implications for Older Workers in the Changing Workplace

The traits most desired by managers for the future are those not commonly attributed to older workers by managers, which suggests that mature and older workers may remain vulnerable to many of the changes affecting American companies. This situation may improve when the Baby Boom generation, with its greater comfort with organizational change and stronger technological literacy, reaches age 50 and over. Until then, however, there remains the cohort of workers aged 45-65 currently in the work force who are at risk. Without significant efforts to overcome these negative assessments, older workers can expect to continue to struggle to find a secure and rewarding place in a changing American workplace that increasingly rewards those who are flexible, receptive of change, technologically advanced, and willing to seize opportunities to demonstrate initiative and exercise independent judgment. These are traits that managers do not commonly associate with older workers. If older workers do not address these perceptions (and maybe even stereotypes) forcefully and openly, there is little reason to expect that corporate gatekeepers will discard these views anytime soon. Accordingly, together with persistent action against blatant age discrimination, a significant part of the solution to the work force problems of older workers will, of necessity, have to come from the behavior of older workers themselves, even to the point of overcompensating for the lingering negative preconceptions and stereotypical views held by some managers.

Suggested Further Research

New answers raise new questions, and the findings of this study suggest avenues for future research that are especially promising and important to understand more fully the reasons for the critical assessments provided by managers and to discern the appropriate changes needed in corporate and public policy to improve the employment and career opportunities of older workers. These topics for further research are described below.

Better understanding is required of older workers' responses to new technology and the pace of technological innovation. Along with a lack of flexibility and receptivity to change, responding to new technology was rated by managers as the most consistently weak attribute of older workers. Understanding this finding thoroughly is complicated by the broad reach of the word "technology," although managers frequently mentioned computers as the primary basis for their assessment. As a result, the finding begs numerous additional questions:

- Are older workers more resistant to accepting new technology?
- Do older workers lack training in new technologies?
- Do older workers have more difficulty assimilating technology-oriented training?
- Under what circumstances do older workers respond well to new technology?

One approach worth considering would be pre- and postmeasurement of the productivity of workers of different age cohorts during a technological changeover, such as introduction of a new computer system or reengineering of work processes.

More knowledge about older workers' assimilation of job-related training is needed. Previous research has largely concluded that older workers generally take longer to learn and learn less overall than other workers, although much of this difference may be a function of different learning styles. Managers in this study generally rated older workers as weaker than other workers in their ability to learn new skills, which raises the issue of how managers view the pay-off in terms of improved productivity associated with training older workers. The relevant research questions include:

- Do the different learning styles of older workers explain the apparent shortfall in their assimilation of new training?
- Do older workers perform as well as other workers in acquiring and applying training knowledge when instruction is modified to reflect their learning style?
- Are companies aware of age-related differences in learning and is this knowledge being incorporated in training courses and materials?

Better data are needed on the costs of turnover and the value of long tenure. Although older workers are rated extremely favorably by managers on their low turnover and the stability and consistency that low turnover brings to a work force, this positive trait seems to be discounted in overall assessments of performance and value. In part, this finding may result because managers do not understand the true costs of turnover, as indicated by the disparate range of turnover costs reported by companies in this study. A better articulation of the range of costs imposed by turnover and representative estimates for different types of positions and industries developed from detailed examination of company information might elevate the value of low turnover of the work force in the minds of corporate gatekeepers.

Better understanding of the impediments to change are needed. This study has shown that corporate gatekeepers do not view older workers as change-oriented. At the same time, change orientation is consistently listed as one of the most desirable traits in an employee. Is change orientation naturally correlated to younger workers? What does the psychological literature have to contribute to understanding the assessments provided in this study? Most importantly, what factors would be included in a program to increase change orientation in mature and older workers?

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